

RECEIVED

THIS AMENDMENT:

____ Passed

Passed as amended by

Failed

Not Offered

ORIGINAL



0000113181

2010 JUL 22 P 4: 52

AZ CORP COMMISSION
DOCKET CONTROL

MAYES REVISED PROPOSED AMENDMENT 4*

TIME/DATE PREPARED: July 22, 2010

COMPANY: Johnson Utilities

Arizona Corporation Commission

AGENDA ITEM NO. 24

DOCKET NO. WS-02987A-08-0180

DOCKETED

OPEN MEETING DATE: 7-28-2010

JUL 22 2010

Page 51, line 1 through line 3,

DOCKETED BY

DELETE: "Therefore, in order to protect the Company's customers, we will adopt Staff's recommendation to authorize an operating margin of 10 percent for both its water and wastewater divisions."

AND REPLACE WITH:

"We believe that an operating margin of 10 percent is too generous and would be a windfall for the Company and results in unreasonably higher rates for its customers. On the other hand, no allowance for an operating margin (a margin set to zero) would reduce cash flow for contingencies, and could place the Company's customers in harms way. Accordingly, in weighing the interests of the Company and its customers we consider the range of possible operating margins between 10 percent and zero that could be authorized based upon this record. In our consideration, we also note the absence of existing equity investment by the Company. In light of these factors and the record, we find that an operating margin of 5 percent for both its water and wastewater divisions is reasonable. Therefore, we determine a 5 percent operating margin for the water and wastewater divisions is appropriate and in the public interest."

Page 51, line 7.5 through line 12, DELETE:

"If, in the Company's next rate filing, the Company still has a negative rate base such that authorizing an operating margin in lieu of a rate of return calculation would be necessary in order to prevent operating losses, we will closely examine and give great consideration to the strength of the Company's efforts to improve its rate base prior to again using an operating margin to determine the revenue requirement."

Page 51, line 15.5 through line 19, DELETE:

"The adjusted test year operating income for the water division was \$1,403,853. A 10 percent

operating margin for the Company's water division results in operating income of \$1,307,438. Based on our findings herein, we determine that the Company's gross revenue for its water division should decrease by \$98,522."

AND REPLACE WITH:

"The adjusted test year operating income for the water division was \$2,664,888. A 5 percent operating margin for the Company's water division results in operating income of \$550,625. Based on our findings herein, we determine that the Company's gross revenue for its water division should decrease by \$2,116,339."

Page 51, line 21.5 through line 25, DELETE:

"A 10 percent operating margin for the Company's wastewater division results in operating income of \$1,045,913. Based on our findings herein, we determine that the revenues for the Company's wastewater division should decrease by \$895,100.

AND REPLACE WITH:

"A 5 percent operating margin for the Company's wastewater division results in operating income of \$494,787. Based on our findings herein, we determine that the revenues for the Company's wastewater division should decrease by \$1,426,957."

Make all conforming changes necessary in the Findings of Fact, Conclusions of Law and Ordering Paragraphs to carry out these changes in the ROO.

* Mayes Proposed Amendments #3 and #4 are alternative proposals.